



## OFFICE OF ILLINOIS STATE TREASURER

MICHAEL W. FRERICHS

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**CONTACT:**

Paris Ervin 217.685.2584  
Greg Rivara 217.685.2380

### **Illinois State Treasurer Frerichs Leads Effort Calling on Facebook to Separate CEO and Board Chair to Reduce Investor Risk Amid Controversy**

#### *Institutional Investors File Proposal Ahead of 2021 Annual Shareholder Meeting for Independent Board Chair at Facebook*

**CHICAGO** – Facebook’s turmoil, controversy, and governance failures are among the litany of reasons the social media giant needs an independent board chair, Illinois State Treasurer Michael Frerichs said today.

Frerichs leads a group of institutional investors who filed a proposal to separate the Chief Executive Officer (CEO) and board chair roles at Facebook, which are held by Mark Zuckerberg. The proposal will go before a vote at Facebook’s 2021 Annual Shareholder Meeting.

“Too much control given to one person is not a good model for any company and Facebook has shown us over and over again the risk it carries for its users and investors,” Frerichs said. “An independent board chair is an important step forward to provide real oversight over management, address governance failings, help restore trust in the company, and better protect shareholders’ interests. We hope the company will use this as an opportunity to take a decisive step toward building a more successful, sustainable company for the long-term.”

Filing alongside Frerichs are the Pennsylvania State Treasurer, Rhode Island State Treasurer, Vermont State Treasurer, Green Century Funds, and the Sisters of the Holy Names.

“Mark Zuckerberg needs to answer to an independent board and be held accountable when his decisions hurt Facebook users,” Pennsylvania State Treasurer Joe Torsella said. “Taxpayers, Facebook users, and shareholders deserve more and better from a company that has become such an important part of our culture, particularly as we fight COVID-19 and feel more distanced and isolated from loved ones than ever before. For years, shareholders have made their choice loud and clear and called overwhelmingly for an independent voice at the head of the Board of Directors. Until Zuckerberg makes the decision to do right by the company and Facebook’s

billions of users, Facebook will continue down a path of damaging public trust and long-term value. It's time for him to step aside.”

“Facebook leadership continues to demonstrate poor judgement on a range of issues, from pursuing anticompetitive business practices to failing to adequately address the use of its platform by extremist groups that incite violence,” said Rhode Island General Treasurer Seth Magaziner. “It is past time to separate the roles of CEO and board chair in order to strengthen Facebook's accountability to shareholders and to society at large.”

“Separating the positions of board chair and CEO will create independence to hold management accountable and best serve both the company and its shareholders,” Vermont State Treasurer Beth Pearce said. “A company that has faced this level of criticism for its handling of private data, human rights, and foreign government intervention needs stronger leadership.”

Major institutional investors, including Vanguard, MFS, AllianceBernstein, BNY Mellon, Goldman Sachs, JPMorgan and Putnam voted in support of a similar 2020 shareholder proposal, signaling a need for leadership change and an independent board chair to lead Facebook. These mutual funds joined the supermajority (63.78%) of Facebook's outside shareholders who voted against Mr. Zuckerberg's unified power as both CEO and Chair. This vote sends a clear message that many investors see the need for real oversight and governance reforms. Unfortunately, Mr. Zuckerberg and other Facebook insiders control a majority of the voting shares at the company.

“What more will it take for Mark Zuckerberg to recognize that he's failing in an important area? I think it is clear – to all, other than perhaps Mr. Zuckerberg – that Facebook needs governance reform and enhanced oversight,” said Green Century Capital Management President Leslie Samuelrich. “It is time for Mr. Zuckerberg to recognize that he can no longer serve as both CEO and Chair of Facebook.”

Evidence continues to show that having the same individual in the position of board chair and CEO is deeply problematic. An article posted by the Harvard Law School Forum on Corporate Governance noted that when “all authority is vested in one individual; there are no checks and balances...presenting an obvious conflict of interest.” For example, in PWC's 2019 annual director survey, 57 percent of directors who sit on a board with a unified chair/CEO reported it is difficult to voice dissent.

In addition to the criticism related to election interference, anti-trust accusations, data breaches and privacy incidents, a recent whistleblower complaint to the Securities and Exchange Commission alleged Facebook is aware of illegal activity, including opioid sales on the platform. Facebook's failure to disclose illegal sales is a violation of fiduciary duty to investors. The failure to prevent abuse, deception and harm on the platform is exacerbated by the lack of independence on the board, particularly in the board chair position.

The company's responses to significant problems have been inadequate, and the board has been unable to exercise effective oversight of management and balance growth with long-term sustainability. This separation would benefit investors by providing Zuckerberg the time and

attention to devote to his role as CEO and director, separate from an independent board chair who would be able to act as fiduciary on behalf of long-term investors.

Last week, Illinois Attorney General Kwame Raoul joined a bipartisan coalition of 48 attorneys general to file a [lawsuit](#) against Facebook Inc., alleging that the company illegally stifles competition to protect its monopoly power. Separately, but in coordination with the multistate coalition, the Federal Trade Commission (FTC) also filed a complaint against Facebook in the U.S. District Court for the District of Columbia.

### **About the Office of the Illinois State Treasurer**

As Illinois State Treasurer, Frerichs is the state's Chief Investment and Banking Officer and actively manages approximately \$35 billion. The portfolio includes \$16 billion in state funds, \$13 billion in retirement and college savings plans and \$6 billion on behalf of local and state governments. The investment approach is cautious to ensure the preservation of capital and returns \$42 to the state for every \$1 spent in operations. Frerichs' office protects consumers by safeguarding more than \$3 billion in unclaimed property, encouraging savings plans for college or trade school, increasing financial education among all ages, assisting people with disabilities save without losing government benefits, and removing barriers to a secure retirement. The Treasurer's Office predates Illinois incorporation in 1818. Voters in 1848 chose to make it an elected office.

### **About the Pennsylvania State Treasurer**

Joe Torsella is the 77th state treasurer of the Commonwealth of Pennsylvania. The Pennsylvania Treasury is an independent department of state government led by the state treasurer, who is elected every four years. The department's primary duty is to safeguard and manage the state's public funds. It invests state money to generate income on behalf of the citizens of Pennsylvania, reviews and processes payments for the state government, and serves as the custodian of more than \$100 billion in state funds. Key Treasury programs include Unclaimed Property, PA 529 College and Career Savings Program and the Board of Finance and Revenue.

### **About the Rhode Island General Treasurer**

Seth Magaziner is General Treasurer of the State of Rhode Island where he is working to restore financial stability and expand economic opportunity for all Rhode Islanders. Since taking office in January 2015, Seth has used the office to help create jobs, strengthen the state's \$8.4 billion pension fund, and ensure all public servants have the dignity of a stable and secure retirement. Under Treasurer Magaziner's leadership, the Rhode Island Treasury has become a national leader in transparency, launched the Rhode Island Infrastructure Bank, and developed a Back to Basics investment strategy to provide better performance and less risk to the state's pension fund.

### **About the Vermont State Treasurer**

Beth Pearce was elected to a sixth term in office in November 2020. She served her first term upon appointment to the position of Vermont State Treasurer by Governor Peter Shumlin in January 2011. Prior to assuming the role of State Treasurer, she served for more than seven years as Vermont's Deputy Treasurer. Treasurer Pearce has over 40 years of experience in government finance at both the state and local levels. She continues her advocacy for conservative and affordable debt practices, prudent management of the pension systems, and responsible use of

reserves. Treasurer Pearce is the past President of the National Association of State Treasurers (NAST), the National Association of State Auditors, Comptrollers and Treasurers (NASACT), and the National Association of Unclaimed Property Administrators (NAUPA).

### **About Green Century Capital Management, Inc.**

Green Century Capital Management, Inc. (Green Century) is the investment advisor to the Green Century Funds (the Funds). The Green Century Funds are the first family of fossil fuel free, responsible, and diversified mutual funds in the United States. Green Century Capital Management hosts an award-winning and in-house shareholder advocacy program and is the only mutual fund company in the U.S. wholly owned by environmental and public health nonprofit organizations.

### **About the Sisters of the Holy Names**

The Sisters of the Holy Names of Jesus and Mary are an international order of Catholic Sisters who have made it a priority in our socially responsible investment policies to consider environmental, social and governance factors in our investments. For over 175 years, we have been committed to education, the promotion of justice and the common good. In our thirty years of socially responsible investing, we have made environmental integrity, economic justice, equity and transparency constitutive elements of our investment values.

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